

**BCLUW
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORT
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2011

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BCLUW COMMUNITY SCHOOL DISTRICT

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Matt Garber	President	2011
Brian Feldpausch	Vice President	2011
Chris Simpson		2013
Beth Neff		2011
Mark Gunderson		2013
Doug Benjamin		2013
Deb Sams	(Resigned August, 2010)	
Shane Tiernan	(Appointed August, 2010)	2011

School Officials

Mike Ashton	Superintendent
Paula Benson	District Secretary/ Treasurer

BRUCE D. FRINK

Certified Public Accountant

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

Services:

- Individual, Partnership and Corporate Tax Preparation
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Bank Loan Assistance

Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

Independent Auditor's Report

To the Board of Education of
BCLUW Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities and each major fund of BCLUW Community School District, Conrad, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities and each major fund of BCLUW Community School District at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated January 5, 2012 on our consideration of BCLUW Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 12 and 34 through 36 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

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Clarion, IA 50525

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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise BCLUW Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 2, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



BRUCE D. FRINK
Certified Public Accountant

January 5, 2012

BCLUW COMMUNITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

BCLUW Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- The District performed a number of building and repair projects to its facilities in order to keep them in optimal condition.
- Purchased a new 65 passenger bus - Blue Bird 2011 bus.
- Replaced flooring in Middle School hallways and several areas of the Middle School.
- Purchased and installed library shelving at the Elementary.
- Professionally painted several district classrooms.
- Replaced several doors at the Middle School.
- Elementary school improvement to HVAC systems - 3 new rooftop units.
- Provided 2 additional days of training using Microsoft funds.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of BCLUW Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report BCLUW Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the nonmajor governmental funds, and a multiyear comparison of revenues and expenditures.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
BCLUW Community School District Annual Financial Report

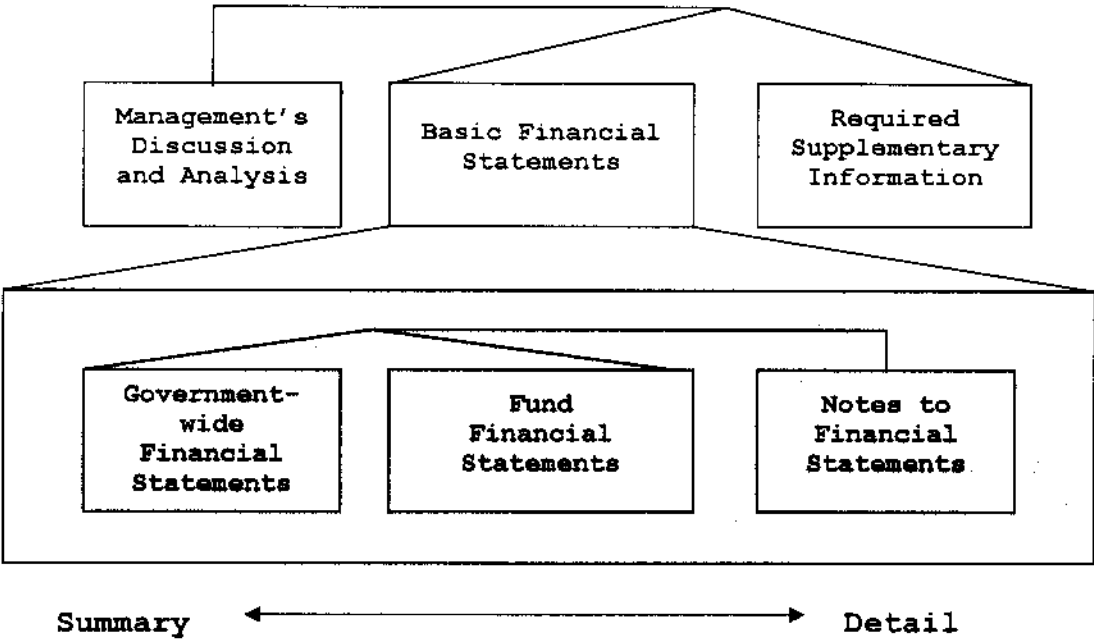


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2

Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire District	The activities of the District that are not proprietary, such as special education and building maintenance	An activity the District operates similar to private businesses: food services
Required financial statements	<ul style="list-style-type: none"> . Statement of net assets . Statement of activities 	<ul style="list-style-type: none"> . Balance sheet . Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> . Statement of net assets . Statement of revenues, expenses and changes in fund net assets . Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. The District has elected to present all funds as "major funds" for clarity of presentation.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Funds.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Fund, one type of proprietary fund, is the same as its business type activities but provide more detail and additional information, such as cash flows. The District's Enterprise Fund is the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2011 compared to June 30, 2010.

Figure A-3 Condensed Statement of Net Assets (Expressed in Thousands)							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-2011
Current assets	\$ 5,354	5,195	44	41	5,398	5,236	3.09%
Capital assets	5,744	5,972	26	28	5,770	6,000	-3.83%
Total assets	11,098	11,167	70	69	11,168	11,236	-0.61%
Current liabilities	3,527	3,460	-	-	3,527	3,460	1.94%
Non-current liabilities	2,639	2,991	-	-	2,639	2,991	-11.77%
Total liabilities	6,166	6,451	-	-	6,166	6,451	-4.42%
Net Assets							
Invested in capital assets, net of related debt	3,272	3,128	26	28	3,298	3,156	4.50%
Restricted	393	361	-	-	393	361	8.86%
Unrestricted	1,267	1,227	44	41	1,311	1,268	3.39%
Total net assets	\$ 4,932	4,716	70	69	5,002	4,785	4.54%

The District's combined net assets were 3% greater at June 30, 2011 than June 30, 2010. The General Fund balance showed an 11% increase resulting in the increase in unrestricted funds and overall fund balance. The District uses cost containment measures including sharing of administrative positions with neighboring districts to focus spending in instructional areas, as well as produce additional miscellaneous revenues.

Figure A-4 shows the changes in net assets for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-4 Changes in Net Assets (Expressed in Thousands)							
Governmental Activities		Business Type Activities		Total District		Total Change	
2011	2010	2011	2010	2011	2010	2010-2011	
Revenues:							
Program revenues:							
Charges for service and sales	\$ 513	523	204	201	717	724	-0.97%
Operating grants, contributions and interest	1,432	1,542	133	128	1,565	1,670	-6.29%
General revenues:							
Property tax	2,812	2,671	-	-	2,812	2,671	5.28%
Income surtax	290	313	-	-	290	313	-7.35%
Statewide sales, services and use tax	413	380	-	-	413	380	8.68%
Unrestricted state grants	2,077	1,867	-	-	2,077	1,867	11.25%
Unrestricted investment earnings	13	17	-	-	13	17	-23.53%
Other	39	10	-	-	39	10	290.00%
Total revenues	<u>7,589</u>	<u>7,323</u>	<u>337</u>	<u>329</u>	<u>7,926</u>	<u>7,652</u>	<u>3.58%</u>
Program expenses:							
Governmental activities:							
Instruction	4,242	4,378	-	-	4,242	4,378	-3.11%
Support Services	2,100	1,962	-	-	2,100	1,962	7.03%
Non-instructional programs	14	29	336	325	350	354	-1.13%
Other expenses	<u>1,016</u>	<u>1,014</u>	<u>-</u>	<u>-</u>	<u>1,016</u>	<u>1,014</u>	<u>0.20%</u>
Total expenses	<u>7,372</u>	<u>7,383</u>	<u>336</u>	<u>325</u>	<u>7,708</u>	<u>7,708</u>	<u>0.00%</u>
Change in net assets	<u>\$ 217</u>	<u>(60)</u>	<u>1</u>	<u>4</u>	<u>218</u>	<u>(56)</u>	<u>-489.29%</u>

Property tax and unrestricted state grants account for 62% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 82% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$7,586,841 and expenses were \$7,371,553 for the year ended June 30, 2011.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-5
Total and Net Cost of Governmental Activities
(Expressed in Thousands)

	Total Cost of Services			Net Cost of Services		
	2011	2010	Change 2010-2011	2011	2010	Change 2010-2011
Instruction	\$ 4,242	4,378	-3.11%	2,672	2,926	-8.68%
Support services	2,100	1,962	7.03%	1,989	1,788	11.24%
Non-instructional programs	14	29	-51.72%	14	27	-48.15%
Other expenses	<u>1,016</u>	<u>1,014</u>	<u>0.20%</u>	<u>752</u>	<u>736</u>	<u>2.17%</u>
Totals	<u>\$ 7,372</u>	<u>7,383</u>	<u>-0.15%</u>	<u>5,427</u>	<u>5,477</u>	<u>-0.91%</u>

For the year ended June 30, 2011:

- The cost financed by users of the District's programs was \$512,590.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$780,423.
- The net cost of governmental activities was financed with \$2,811,077 in property tax and \$2,076,723 in state foundation aid.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2011 were \$336,597 and expenses totaled \$335,703. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2011, the District held meal prices steady. The fund balance increased due to cost control measures.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As previously noted BCLCW Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$1,563,134; a five percent increase over last year's ending fund balances of \$1,483,708. The increase was virtually entirely due to an increase in the General Fund.

Governmental Fund Highlights

- The General Fund increased by over \$105,000. Cost control measures that were implanted in prior years have resulted in considerable savings. These include sharing with other districts.
- The District used PPEL Funds and Capital Projects sales tax revenues to complete a number of building and equipment purchases during the year.

Proprietary Fund Highlights

The cash balance increased by 8% during the year. The fund balance computed on an accrual basis increased slightly as nearly \$5,000 of depreciation expense is included in the financial statements.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund and major Special Revenue Funds are not presented in the budgetary comparison on pages 32 through 34.

The District's receipts were \$131,526 greater than budgeted receipts; a variance of 2% more than anticipated.

Total expenditures were 3% less than amended budgeted expenditures. The District amended the budget in May, 2011 allowing for increased expenses of \$24,500. Expenses exceeded the amended amounts budget in the other expenditures functions. The District did not exceed the General Fund unspent authorized budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the District had invested \$5.7 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of 4% from last year. More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expense for the year was \$373,471.

The original cost of the District's capital assets was \$11,014,491. Governmental funds account for \$10,936,206, with the remainder of \$75,285 accounted for in the Business Type, School Nutrition Fund.

Figure A-6 Capital Assets, net of Depreciation (Expressed in Thousands)							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-2011
Land	\$ 80	80	-	-	80	80	0.00%
Buildings	5,039	5,217	-	-	5,039	5,217	-3.41%
Site improvements	109	116	-	-	109	116	-6.03%
Furniture and equipment	515	559	26	28	541	587	-7.84%
Totals	\$ 5,743	5,972	26	28	5,769	6,000	-3.85%

Long-Term Debt

At June 30, 2011, the District had \$2,390,000 in general obligation bonds outstanding. This represents a decrease of approximately 7% from last year (See Figure A-7). Additional information about the District's long-term debt is presented in Note 7 to the financial statements. Early retirement liability is payable over the next two years. Capital lease payable, incurred for the purchase of laptop computers, will be fully paid in fiscal 2012.

Figure A-7
Outstanding Long-Term Obligations
(Expressed in Thousands)

	Total District		Total Change
	June 30,		June 30,
	2011	2011	2010-2011
General obligation bonds	\$ 2,390	2,685	-10.99%
Capital lease payable	81	158	-48.73%
Early retirement payable	82	92	-10.87%
Totals	\$ 2,553	2,935	-13.02%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- TSS money included in salary schedule beginning with this year.
- Reduced teaching staff by 2.0 f.t.e. attrition.
- Increase in health and dental insurance.
- 2.31% contract settlement w/professional staff.
- Continue to see unspent spending authority increase.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Paula Benson, Board Secretary, BCLUW Community School District, 610 E Center St, PO Box 670, Conrad, IA 50621

Basic Financial Statements

BCLUW COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2011

	Governmental Activities	Business Type Activities School Nutrition	Total
Assets			
Cash and pooled investments	\$ 1,936,405	37,573	1,973,978
Receivables:			
Property tax:			
Current year	33,623	-	33,623
Succeeding year	2,854,232	-	2,854,232
Income surtax - succeeding year	279,490	-	279,490
Due from other governments	123,309	-	123,309
Other receivables	127,399	-	127,399
Inventories	-	6,145	6,145
Capital assets, net of accumulated depreciation	5,743,413	26,445	5,769,858
Total assets	11,097,871	70,163	11,168,034
Liabilities			
Accounts payable	57,239	-	57,239
Salaries and benefits payable	600,463	-	600,463
Accrued interest payable	15,933	-	15,933
Deferred revenue:			
Succeeding year property tax	2,854,232	-	2,854,232
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	300,000	-	300,000
Lease payable	80,925	-	80,925
Early retirement payable	26,106	-	26,106
Portion due after one year:			
General obligation bonds payable	2,090,000	-	2,090,000
Early retirement payable	56,071	-	56,071
Net OPEB liability	85,608	-	85,608
Total liabilities	6,166,577	-	6,166,577
Net assets			
Invested in capital assets, net of related debt	3,272,488	26,445	3,298,933
Restricted for:			
Categorical funding	24,146	-	24,146
Student activities	146,590	-	146,590
Management levy	89,587	-	89,587
Public education and recreation levy	1,909	-	1,909
School infrastructure	111,209	-	111,209
Physical plant and equipment levy	3,008	-	3,008
Debt service	18,190	-	18,190
Unrestricted	1,264,167	43,718	1,307,885
Total net assets	\$ 4,931,294	70,163	5,001,457

See notes to financial statements.

BCLDW COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2011

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs:						
Governmental activities:						
Instruction	\$ 4,242,053	413,710	1,156,900	(2,671,443)	-	(2,671,443)
Support services:						
Student services	131,349	-	-	(131,349)	-	(131,349)
Instructional staff services	267,771	-	-	(267,771)	-	(267,771)
Administration services	737,939	98,880	-	(639,059)	-	(639,059)
Operation and maintenance of plant services	617,800	-	11,318	(606,482)	-	(606,482)
Transportation services	344,474	-	-	(344,474)	-	(344,474)
	2,099,333	98,880	11,318	(1,989,135)	-	(1,989,135)
Non-instructional programs:						
Food service operations	7,574	-	-	(7,574)	-	(7,574)
Community service operations	6,656	-	-	(6,656)	-	(6,656)
	14,230	-	-	(14,230)	-	(14,230)
Other expenditures:						
AEA flowthrough	257,518	-	257,518	-	-	-
Long-term debt interest	113,700	-	668	(113,032)	-	(113,032)
Long-term debt services	375	-	-	(375)	-	(375)
Facilities acquisition and construction	275,725	-	5,407	(270,318)	-	(270,318)
Depreciation (unallocated)*	368,617	-	-	(368,617)	-	(368,617)
	1,015,935	-	263,593	(752,342)	-	(752,342)
Total governmental activities	7,371,551	512,590	1,431,811	(5,427,150)	-	(5,427,150)

BCLOW COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2010

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities
Expenses				Total
Business type activities:				
Non-instructional programs:				
Food service operations	335,703	204,143	132,454	894
Total	<u>\$ 7,707,254</u>	<u>716,733</u>	<u>1,564,265</u>	<u>894</u>
			<u>(5,427,150)</u>	<u>(5,426,256)</u>
General revenues:				
Property tax levied for:				
General purposes			\$ 2,167,880	-
Management fund			160,229	-
Debt service			385,554	-
Capital outlay			69,551	-
Public education and recreation			27,863	-
Income surtax			289,614	-
Statewide sales, services and use tax			412,923	-
Unrestricted state grants			2,076,723	-
Unrestricted investment earnings			13,286	-
Other			38,817	-
Total general revenues			<u>5,642,440</u>	<u>-</u>
Change in net assets			215,290	894
Net assets beginning of year			4,716,004	69,269
Net assets end of year			<u>\$ 4,931,294</u>	<u>70,163</u>
				<u>5,001,457</u>

* This amount excludes the depreciation that is included in the direct expenses of the various programs.

See notes to financial statements.

BCIOW COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2011

Assets

Cash and pooled investments	\$ 1,570,655	\$ 146,590	169,842	1,575	15,977	2,188	29,578	1,936,405
Receivables:								
Property tax:								
Current year	26,002	-	1,922	334	-	820	4,545	33,623
Succeeding year	2,157,675	-	200,000	28,809	-	71,773	395,975	2,854,232
Income surtax - succeeding year	279,490	-	-	-	-	-	-	279,490
Due from other governments	28,077	-	-	-	95,232	-	-	123,309
Other receivables	127,399	-	-	-	-	-	-	127,399
Total assets	\$ 4,189,298	146,590	371,764	30,718	111,209	74,781	430,098	5,354,458

BCLJW COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2011

	General	Student Activity	Management Levy	Public Education and Recreation Levy	Capital Projects	Statewide Sales Services and Use Tax	Physical Plant and Equipment Levy	Debt Service	Total
Liabilities and Fund Balances									
Liabilities:									
Accounts payable	\$ 57,239	-	-	-	-	-	-	-	57,239
Salaries and benefits payable	600,463	-	-	-	-	-	-	-	600,463
Deferred revenue:									
Succeeding year property tax	2,157,675	-	200,000	28,809	-	-	71,773	395,975	2,854,232
Succeeding year income surtax	279,490	-	-	-	-	-	-	-	279,490
Total liabilities	3,094,867	-	200,000	28,809	-	-	71,773	395,975	3,791,424
Fund balances:									
Restricted for:									
Categorical funding	24,146	-	-	-	-	-	-	-	24,146
Student activities	-	146,590	-	-	-	-	-	-	146,590
Management levy purposes	-	-	171,764	-	-	-	-	-	171,764
Public education and recreation	-	-	-	1,909	-	-	-	-	1,909
School infrastructure	-	-	-	-	111,209	-	-	-	111,209
Physical plant and equipment	-	-	-	-	-	-	3,008	-	3,008
Debt service	-	-	-	-	-	-	-	34,123	34,123
Unassigned	1,070,285	-	-	-	-	-	-	-	1,070,285
Total fund balances	1,094,431	146,590	171,764	1,909	-	111,209	3,008	34,123	1,563,034
Total liabilities and fund balances	\$ 4,189,298	146,590	371,764	30,718	-	111,209	74,781	430,098	5,354,458

See notes to financial statements.

BCLUW COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2011

Total fund balances of governmental funds (Exhibit C)	\$ 1,563,034
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Income surtax receivable at June 30, 2011 is not available to finance expenditures of the current fiscal period.	279,490
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	5,743,413
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(15,933)
Long-term liabilities, including general obligation bonds, capital leases and early retirement, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(2,638,710)</u>
Net assets of governmental activities (Exhibit A)	<u>\$ 4,931,294</u>

See notes to financial statements.

BCLJW COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2011

	General	Student Activity	Management Levy	Public Education and Recreation Levy	Capital Projects				Debt Service	Total
					Statewide Sales Services and Use Tax	Physical Plant and Equipment Levy				
Revenues:										
Local sources:										
Local tax	\$2,447,815	-	160,229	27,863	412,923	69,551			385,554	3,503,935
Tuition	382,766	-	-	-	-	-			-	382,766
Other	195,281	363,123	11,143	8	5,407	167			668	575,797
State sources	2,823,470	-	-	-	-	-			-	2,823,470
Federal sources	291,194	-	-	-	-	-			-	291,194
Total revenues	6,140,526	363,123	171,372	27,871	418,330	69,718			386,222	7,577,162
Expenditures:										
Current:										
Instruction:	3,771,088	367,254	63,203	19,502	-	-			-	4,221,047
Support services:										
Student services	131,349	-	-	-	-	-			-	131,349
Instructional staff services	267,771	-	-	-	-	-			-	267,771
Administration services	717,264	-	19,698	-	977	-			-	737,939
Operation and maintenance of plant services	558,969	-	50,869	7,962	-	-			-	617,800
Transportation services	324,410	-	20,064	-	-	-			-	344,474
	1,999,763	-	90,631	7,962	977	-			-	2,099,333
Non-instructional programs:										
Food service operations	-	-	7,574	-	-	-			-	7,574
Community service operations	6,656	-	-	-	-	-			-	6,656
	6,656	-	7,574	-	-	-			-	14,230

BCLUW COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2011

	General	Student Activity	Management Levy	Public Education and Recreation Levy	Statewide Sales Services and Use Tax	Capital Projects Physical Plant and Equipment Levy	Debt Service	Total
Expenditures (continued):								
Other expenditures:								
AEA flowthrough	257,518	-	-	-	-	-	-	257,518
Long-term debt:								
Principal	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	372,456	372,456
Services	-	-	-	-	-	-	116,654	116,654
Facilities acquisition and construction	-	-	-	-	-	-	375	375
	257,518	-	-	-	333,876	82,347	-	416,223
		-	-	-	333,876	82,347	489,485	1,163,226
Total expenditures	6,035,025	367,254	161,408	27,464	334,853	82,347	489,485	7,497,836
Excess (deficiency) of revenues over (under) expenditures	105,501	(4,131)	9,964	407	83,477	(12,629)	(103,263)	79,326
Other financing sources (uses)								
Operating transfers in	-	-	-	-	-	-	87,448	87,448
Operating transfers out	-	-	-	-	(87,448)	-	-	(87,448)
	-	-	-	-	(87,448)	-	87,448	-
Net change in fund balance	105,501	(4,131)	9,964	407	(3,971)	(12,629)	(15,815)	79,326
Fund balances beginning of year	988,930	150,721	161,800	1,502	115,180	15,637	49,938	1,483,708
Fund balances end of year	\$1,094,431	146,590	171,764	1,909	111,209	3,008	34,123	1,563,034

See notes to financial statements.

BCLUW COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities

Year ended June 30, 2011

Net change in fund balances - total governmental funds (Exhibit E) \$ 79,326

**Amounts reported for governmental activities in the Statement of Activities
are different because:**

Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the statement of activities. This figure represents the change from the prior fiscal year.

9,679

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlay	\$ 140,498	
Depreciation expense	<u>(368,617)</u>	(228,119)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

Repayments	372,456
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported in the governmental funds.

Early retirement	23,125	
Other postemployment benefits	<u>(44,131)</u>	(21,006)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

2,954

Change in net assets of governmental activities (Exhibit B)	<u>\$ 215,290</u>
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See notes to financial statements.

BCLUW COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund

Year ended June 30, 2011

	<u>School Nutrition</u>
Operating revenue:	
Local sources:	
Charges for services	\$ 204,143
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	95,440
Benefits	14,800
Services	11,813
Supplies	208,796
Depreciation	4,854
Total operating expenses	<u>335,703</u>
Operating (loss)	<u>(131,560)</u>
Non-operating revenues:	
State sources	2,969
Federal sources	129,303
Interest income	182
	<u>132,454</u>
Net income	894
Net assets beginning of year	<u>69,269</u>
Net assets end of year	<u>\$ 70,163</u>

See notes to financial statements.

BCLUW COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2011

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 204,143
Cash payments to employees for services	(110,240)
Cash payments to suppliers for goods or services	(208,647)
Net cash (used by) operating activities	<u>(114,744)</u>
Cash flows from non-capital financing activities:	
State grants received	2,969
Federal grants received	117,704
Net cash provided by non-capital financing activities	<u>120,673</u>
Cash flows from capital financing activities:	
Acquisition of capital assets	(3,182)
Cash flows from investing activities:	
Interest on investments	<u>182</u>
Net increase in cash and cash equivalents	2,929
Cash and cash equivalents beginning of year	<u>34,644</u>
Cash and cash equivalents end of year	<u>\$ 37,573</u>
Reconciliation of operating (loss) to net cash (used by) operating activities:	
Operating (loss)	\$ (131,560)
Adjustments to reconcile operating (loss) to net cash (used by) operating activities:	
Depreciation	4,854
Commodities used	11,599
Decrease in inventory	363
Net cash (used by) operating activities	<u>\$ (114,744)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2011, the District received federal commodities valued at \$11,599.

See notes to financial statements.

BCLUW COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2011

(1) Summary of Significant Accounting Policies

BCLUW Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors summer recreational activities. The geographic area served includes the Cities of Beaman, Conrad, Liscomb, Union and Whitten, Iowa, and agricultural territory in Hardin, Grundy and Marshall Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, BCLUW Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. BCLUW Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Grundy and Hardin County Assessor's Conference Boards.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. The District has elected to present all funds as major funds for clarity of presentation.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenue not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Fund - Statewide Sales and Services and Use Tax is used to account for all resources used in the acquisition and construction of capital facilities.

The Capital Projects Fund - Physical Plant and Equipment Levy Fund is utilized to account for the maintenance and equipping of the District's facilities.

The Student Activity Fund is used to account for extra curricular activities conducted on behalf of the students.

The Management Levy Fund is utilized for the payment of insurance, unemployment and early retirement benefits.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The District reports the following major proprietary fund:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash and Cash Equivalents - The cash balances of most District funds are invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget by April 15th of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2010.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years. No intangible assets were noted that exceeded the threshold amount.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 1,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	10,000
Other furniture and equipment	10,000
Intangibles	50,000

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years
Intangibles	5-10 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collectible within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year-end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivables that will not be recognized as revenue until the year for which it is levied as well as income surtaxes collected by the State of Iowa for the 2010 income tax year that are distributed in December, 2011.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability is deemed to be immaterial at June 30, 2011.

Long-Term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity - In the governmental fund financial statements, fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Committed - Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned - All amounts not included in other spendable classifications.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or are imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, expenditures exceeded the amended amount budgeted in the other expenditures function. The District did not exceed its General Fund unspent authorized budget.

(2) Cash and Investments

The District's deposits at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments at June 30, 2011.

(3) Capital Assets

Capital assets activity for the year ended June 30, 2011 was as follows:

	Balance Beginning Of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 80,000	-	-	80,000
Capital assets being depreciated:				
Buildings	9,120,077	-	-	9,120,077
Site Improvements	136,068	-	-	136,068
Furniture and Equipment	1,638,087	140,498	178,524	1,600,061
Total capital assets being depreciated	10,894,232	140,498	178,524	10,856,206
Less accumulated depreciation for:				
Buildings	3,903,267	177,928	-	4,081,195
Site Improvements	20,409	6,803	-	27,212
Furniture and Equipment	1,079,024	183,886	178,524	1,084,386
Total accumulated depreciation	5,002,700	368,617	178,524	5,192,793
Total capital assets being depreciated, net	5,891,532	(228,119)	-	5,663,413
Governmental activities, capital assets, net	\$ 5,971,532	(228,119)	-	5,743,413
Business type activities:				
Furniture and equipment	\$ 72,103	3,182	-	75,285
Less accumulated depreciation	43,986	4,854	-	48,840
Business type activities capital assets, net	\$ 28,117	(1,672)	-	26,445
Depreciation expense was charged to the following functions:				
Governmental activities:				
Unallocated				\$ 368,617
Business Type activities:				
Food service operations				\$ 4,854

(4) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members were required to contribute 4.50% of their annual covered payroll and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$256,217, \$251,104, and \$230,924 respectively, equal to the required contributions for each year.

(5) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$257,518 for year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(6) Risk Management

BCLUW Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(7) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2011 are summarized as follows:

	<u>Balance Beginning Year</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance End of Year</u>	<u>Due Within One Year</u>
Capital Lease Payable	\$ 158,381	-	77,456	80,925	80,925
General Obligation Bonds	2,685,000	-	295,000	2,390,000	300,000
Early Retirement	105,302	29,030	52,155	82,177	26,106
Other Post-employment Benefits	41,477	44,131	-	85,608	-
Total	<u>\$2,990,160</u>	<u>73,161</u>	<u>424,611</u>	<u>2,638,710</u>	<u>407,031</u>

General Obligation Bonds Payable

Details of the District's June 30, 2011 general obligation bonded indebtedness are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	4.00%	\$ 300,000	95,600	395,600
2013	4.00	315,000	83,600	398,600
2014	4.00	325,000	71,000	396,000
2015	4.00	340,000	58,000	398,000
2016	4.00	355,000	44,400	399,400
2017	4.00	370,000	30,200	400,200
2018	4.00	385,000	15,400	400,400
Total		<u>\$2,390,000</u>	<u>398,200</u>	<u>2,788,200</u>

Capital Lease Payable

The District entered into a lease purchase with GE Capital for the acquisition of 250 laptop computers. A down payment of \$87,454.90 was made in June 30, 2009. The final payment of \$87,454.90 is due in July, 2011.

<u>Year Ending June 30,</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	6.14%	<u>\$80,925</u>	<u>6,530</u>	<u>87,455</u>

Early Retirement Payable

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed eight years of service to the District. Employees must complete an application which must be approved by the Board of Education. The early retirement incentive for each eligible employee is 60% of current year salary, less supplemental pay or extended contract pay. Early retirement benefits paid during the year ended June 30, 2011, totaled \$52,155. A long-term liability has been recorded on the Statement of Net Assets (Exhibit A) representing the District's commitment to fund early retirement.

(8) Related Party Transactions

The District had \$11,031 of business transactions between the District and District officials during the year ended June 30, 2011. These are described in the Schedule of Findings on page 41-43.

(9) Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 66 active members and 1 retired member in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which result in an implicit rate subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefits plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$46,778
Interest on net OPEB obligation	1,037
Adjustment to annual required contribution	(3,684)
Annual OPEB cost	44,131
Contributions made	-
Increase in net OPEB obligation	44,131
Net OPEB obligation beginning of year	41,477
Net OPEB obligation end of year	\$85,608

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

For the year ended June 30, 2011, the District implicitly contributed \$0 to the medical plan.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2010	\$43,182	3.9%	\$41,477
June 30, 2011	\$46,778	0.0%	\$85,608

Funded Status and Funding Progress - As of July 1, 2010, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$358,724, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$358,724. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,802,000 and the ratio of the UAAL to covered payroll was 9.4%. As of June 30, 2011, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress presented as Required Supplementary Information, in the section following the Notes to Financial Statements, present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from information provided by the District.

The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(10) **Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects, Physical Plant and Equipment Levy	\$87,448

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(11) **Accounting Change/Restatement**

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	<u>Capital Projects, Physical Plant and Equipment Levy</u>	<u>Special Revenue, Physical Plant and Equipment Levy</u>
Balances June 30, 2010, as previously reported	\$ -	15,637
Change in fund type classification per implementation of GASSB Statement No. 54	<u>15,637</u>	<u>(15,637)</u>
Balances July 1, 2010, as restated	<u>\$15,637</u>	<u>-</u>

Required Supplementary Information

BCLUW COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2011

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 4,462,498	204,325	4,666,823	4,529,840	4,529,840	136,983
State sources	2,823,470	2,969	2,826,439	3,018,393	3,018,393	(191,954)
Federal sources	291,194	129,303	420,497	234,000	234,000	186,497
Total revenues	7,577,162	336,597	7,913,759	7,782,233	7,782,233	131,526
Expenditures/Expenses:						
Instruction	4,221,047	-	4,221,047	4,458,600	4,458,600	237,553
Support services	2,099,333	-	2,099,333	2,119,223	2,119,223	19,890
Non-instructional programs	14,230	335,703	349,933	362,500	392,000	42,067
Other expenditures	1,163,226	-	1,163,226	1,012,826	1,107,826	(55,400)
Total expenditures/expenses	7,497,836	335,703	7,833,539	7,953,149	8,077,649	244,110
Excess (deficiency) of revenues over (under) expenditures/expenses	79,326	894	80,220	(170,916)	(295,416)	375,636
Other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses and other financing uses	79,326	894	80,220	(170,916)	(295,416)	375,636
Balance beginning of year	1,483,708	69,269	1,552,977	1,282,759	1,282,759	270,218
Balance end of year	\$ 1,563,034	70,163	1,633,197	1,111,843	987,343	645,854

See accompanying independent auditor's report.

BCLUW COMMUNITY SCHOOL DISTRICT

Note to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2011

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year, the District adopted one budget amendment increasing budgeted expenditures by \$124,500.

During the year ended June 30, 2011, expenditures exceeded the amended amount budgeted in the other expenditures function. The District did not exceed the General Fund unspent authorized budget.

BCLUW COMMUNITY SCHOOL DISTRICT

Schedule of Funding Progress for the
Retiree Health Plan
(In Thousands)

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	Jul 1, 2009	\$0	\$359	\$359	0.0%	\$3,776	9.5%
2011	Jul 1, 2009	\$0	\$359	\$359	0.0%	\$3,802	9.4%

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

Other Supplementary Information

BCLUW COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2011

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Drama/Thespians	\$ 4,500	2,290	4,635	2,155
Speech	133	49	182	-
Vocal Music	690	10,178	6,864	4,004
Band	3,207	6,420	6,360	3,267
Middle School Instrumental	-	-	-	-
HS Mathletes	1,195	-	249	946
Athletic	28,039	161,856	159,919	29,976
Class of 2011	3,800	75	2,112	1,763
Talented and Gifted MS	1	2,721	2,453	269
Class of 2013	71	17,009	11,491	5,589
Cheerleaders	1,551	-	1,551	-
Science Club	1	4,052	4,020	33
MS Theme Day	15	2,010	2,025	-
Middle School Vocal Music	798	120	258	660
Class of 2014	-	205	80	125
Elementary Activities	23,064	3,061	1,207	24,918
Parent/Educator Partnership	7,814	29,928	33,042	4,700
Flower Fund	-	269	237	32
FCCLA	956	376	279	1,053
Technology Club	204	-	-	204
Comet Café	3,257	3,069	3,657	2,669
Library Club	134	5,992	5,580	546
Art Club	127	1,735	541	1,321
Interest	8,808	3,968	4,540	8,236
Letterwinners	3,018	5,551	5,582	2,987
Little League	1,733	4,860	3,134	3,459
National Art Honor Society	539	-	-	539
MS Athletic	10,552	7,782	8,973	9,361
Iowaish	-	10,565	10,292	273
Class of 2012	9,093	21,694	25,200	5,587
MS Conflict Managers	121	-	121	-
Special Olympics	143	20	-	163
National Honor Society	1,833	355	279	1,909
Padlock	959	82	421	620
Student Council	1,263	3,956	3,578	1,641
Summer Concessions	12,187	25,320	28,429	9,078
High School Activities	3,074	1,662	2,461	2,275
2011 Yearbook	8,694	16,772	19,082	6,384
STOPP	51	-	51	-
MS Activities	9,096	9,121	8,369	9,848
Total	\$ 150,721	363,123	367,254	146,590

See accompanying independent auditor's report.

BCLUW COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function All Governmental Funds

For the Last Eight Years

	Modified Accrual Basis					
	2011	2010	2009	2008	2007	2006
	2005	2004	2003	2002	2001	2000
Revenues:						
Local sources:						
Local tax						
Tuition	2,816,819	2,945,727	2,941,371	3,072,460	3,163,985	3,358,274
Other	287,034	321,512	260,390	327,063	323,887	394,461
State sources	797,781	544,805	553,728	469,174	554,796	510,325
Federal sources	2,180,190	2,369,727	2,367,946	2,560,037	2,906,756	2,514,445
Total	<u>131,944</u>	<u>119,713</u>	<u>116,345</u>	<u>216,894</u>	<u>269,196</u>	<u>539,357</u>
Total	<u>6,213,768</u>	<u>6,301,484</u>	<u>6,239,780</u>	<u>6,645,628</u>	<u>7,218,620</u>	<u>7,316,862</u>
Expenditures:						
Instruction	3,307,690	3,350,907	3,578,529	3,789,341	4,117,522	4,251,878
Support services:						
Student services	76,351	130,615	83,931	84,866	94,920	134,523
Instructional staff	163,751	190,780	182,949	193,510	200,159	223,273
Administration	600,092	638,098	659,495	683,912	703,427	744,651
Operation and maintenance of plant	450,808	501,264	530,856	505,318	569,301	539,137
Transportation	270,448	303,943	325,388	338,074	364,021	320,059
Non-instructional programs:						
Food service operations	200	681	5,380	5,828	5,648	9,811
Community service operations	-	-	1,982	17,357	2,435	18,945
Other expenditures:						
Facilities acquisition	292,055	362,559	367,709	651,064	459,174	328,378
Debt service:						
Principal	200,000	215,000	225,000	235,000	250,000	280,000
Interest and services	210,550	199,801	207,324	179,145	168,688	117,538
AEA flowthrough	182,058	181,168	180,550	194,442	215,223	257,444
Total	<u>5,754,003</u>	<u>6,074,816</u>	<u>6,349,093</u>	<u>6,877,857</u>	<u>7,150,518</u>	<u>7,225,637</u>

See accompanying independent auditor's report.

BRUCE D. FRINK
Certified Public Accountant

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

Services:

- Individual, Partnership and Corporate Tax Preparation
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Bank Loan Assistance

Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

**Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance
with Government Auditing Standards**

To the Board of Education of the
BCLUW Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities and each major fund of BCLUW Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 5, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered BCLUW Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of BCLUW Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of BCLUW Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings as items I-A-10 and I-B-10 to be material weaknesses.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We identified no items which we consider to be significant deficiencies.

Compliance and Other Matters

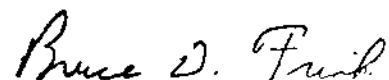
As part of obtaining reasonable assurance about whether BCLUW Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

BCLUW Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit BCLUW Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of BCLUW Community School District and other parties to whom BCLUW Community School District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of BCLUW Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



BRUCE D. FRINK
Certified Public Accountant

January 5, 2012

BCLUW COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2011

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES

I-A-11 SEGREGATION OF DUTIES

One important aspect of the internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Although the District does a fine job of dividing incompatible duties among existing personnel, the District Secretary still has the ability to override the system without the knowledge of any other personnel.

Recommendation - We recommend that the District continue to segregate incompatible duties as much as possible, reviewing them annually to achieve the maximum segregation possible within the existing personnel. We realize that the District Secretary has a large number of required duties under the Code of Iowa which makes the situation difficult. We also realize that the District has a limited budget within which to hire additional personnel.

Response - We will continue to review and implement new procedures, when possible, to achieve the maximum segregation with existing personnel.

Conclusion - Response accepted.

I-B-11 AUDITOR DRAFTING OF THE FINANCIAL STATEMENTS AND RELATED FOOTNOTE DISCLOSURES

Comment - As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. SAS 115, an auditing standard from the American Institute of Certified Public Accountants, requires auditors to communicate this situation as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of the District's statements and footnotes, and the responsibility of the auditor to determine the fairness of the presentation of those statements. From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do this with organizations of your size. However, based on this auditing standard, it is our responsibility to inform you that this deficiency could result in a misstatement to the financial statements that could have been prevented or detected by the District's management. As in prior years, we have instructed management to review a draft of the auditor prepared financial statements in detail for their accuracy; we have answered any questions they might have, and encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification and disclosure in your financial statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements.

Recommendation - It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response - We feel our review of the draft financials is adequate for us to accept this risk.

Conclusion - Response accepted.

BCLUW COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2011

Part II: Other Findings Related to Required Statutory Reporting:

II-A-11 Certified Budget - Expenditures for the year ended June 30, 2011 exceeded the amended certified budget amount in the other expenditures function. The District did not exceed its unspent authorized budget.

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response - Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion - Response accepted.

II-B-11 Questionable Expenditures - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

II-C-11 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-11 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Benjamin Trophy Company Spouse of Board Member	Resale items and supplies	\$11,031
Deborah Sams Board Member		

In May 2010, the District approved a contract with Deborah Sams, board member, to begin work on August 9, 2010 as the elementary school secretary. Ms. Sams did not resign as a board member until August 2010 just before beginning her duties. Ms. Sams was paid prior to this time to work with the previous secretary.

These transactions exceeded the \$2,500 limit allowed by Chapter 279.7A of the Code of Iowa.

Recommendation - We recommend that the District consult legal counsel regarding these matters, especially in light of the fact that the amount of these transactions more than doubled from the previous year. We also recommend that the District annually review these transactions to ensure continued compliance.

Response - Since Doug Benjamin is a board member for BCLUW, there was limit to school district purchasing from Benjamin Trophy. Once the \$2,500 amount was approached during the 2011-12 school year, purchasing was stopped.

Although Deb Sams abstained from voting, she was still a board member at the time of her hire and resigned on July 19, 2010. The District will make sure a similar situation does not occur again.

Conclusion - Response accepted.

BCLUW COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2011

Part II: Other Findings Related to Required Statutory Reporting: (continued):

- II-E-11 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- II-F-11 Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.
- II-G-11 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-H-11 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-11 Deposits and Investments - We noted no instances of noncompliance with the deposits and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-J-11 Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education.
- II-K-11 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- II-L-11 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. For the year ended June 30, 2011, the District's financial activity and other required information for the statewide sales, services and use tax are as follows:

Beginning balance		\$115,180
Revenues/transfers in:		
Sales tax revenues	412,923	
Other local revenues	<u>5,407</u>	<u>418,330</u>
Expenditures/transfers out:		
Equipment	\$ 210,468	
Other	124,385	
Transfers to other funds:		
Debt service fund	<u>87,448</u>	<u>422,301</u>
Ending balance		<u>\$111,209</u>

For the year ended June 30, 2011, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.